

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6701

BILL NUMBER: HB 1380

DATE PREPARED: Dec 16, 1998

BILL AMENDED:

SUBJECT: Group Health Insurance for Schools.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that a public school corporation is entitled to participate in any group health programs established for state employees upon payment of the required premiums.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill can potentially affect the costs of providing health care benefits to state employees.

Since the decision to join the state health plan is optional for school corporations, it is likely that there would be an impact on premium prices and claims costs faced by the state due to adverse selection. This could result since those school corporations with higher health plan costs resulting from higher claims experiences would tend to be the entities opting into the program. (Note: It is also possible that some entities opting into the state program could have more expensive plan structures, rather than just higher claims experiences, that would contribute toward their higher health plan costs.)

There would likely be an impact on administrative costs to the state for covering and enrolling employees of the school corporations. The additional costs would depend upon local school corporation decisions as to participation in the state program. On the other hand, there could be some economies of size resulting in system-wide administrative savings or reduction in workload among all of the participating school corporations. These costs are undetermined and would depend upon the decisions of the school corporations as to participation in the state program and upon the financial arrangements established by the state for participation.

There could also potentially be some additional purchasing power off-setting some of the additional costs due to adverse selection, depending upon the number and geographical distribution of school corporations that opt into the state program. There are about 57,000 certified teacher FTEs (full-time equivalents), more

than 9,000 certified non-teacher FTEs, and about 61,000 non-certified employees in school systems throughout the state. This compares with 37,630 employees currently on the state health plans.

Although the relative impacts of adverse selection, purchasing power, and economies of size are not known, much of the potential for additional discounts due to added purchasing power may have already been realized by the state. The risks due to adverse selection from optional participation is likely to be greater than the benefits from additional purchasing power and economies of size.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill allows active and retired employees of school corporations to participate in any health care plan offered by the state. The decision would be at the discretion of the school corporation.

It is not known how many school corporations would opt to participate in the state's health plan. However, assuming corporations which would benefit from opting into the state plan would do so, these school corporations would realize some savings for health benefits, as well as savings in the administration of employee health plans. These savings are indeterminable and would differ among school corporations.

The following tables detail average premium prices, employer contributions, and employee contributions for school corporation health plans (288 corporations reporting), the state traditional plans, and the various state health maintenance organization (HMO) plans.

Single Person Plans			
	Average Premium	Average Employer Contribution	Average Employee Contribution
School Corporations *	2,480.00	2,187.00	293.00
State Traditional Plans**	2,176.46	2,092.74	83.72
State HMO (Low)**	2,036.58	2,036.58	0.00
State HMO (High)**	2,085.72	2,085.72	0.00
* Data for 1997/98 school year.			
** Data for FY98 to match up with school corporation data.			

Out of the 288 school corporations reporting, 199 (or 69%) had premium costs for single plans greater than the cost of the state traditional plans.

Family Plans			
	Average Premium	Average Employer Contribution	Average Employee Contribution
School Corporations *	6,270.00	4,546.00	1,724.00
State Traditional Plans**	6,254.30	5,254.34	999.96
State HMO (Low)**	5,127.72	5,127.72	0.00
State HMO (High)**	6,242.86	5,254.34	988.52
* Data for 1997/98 school year. ** Data for FY98 to match up with school corporation data.			

Out of the 288 school corporations reporting, 124 (or 43%) had premium costs for family plans greater than the cost of the state traditional plans.

Explanation of Local Revenues:

State Agencies Affected: State Department of Personnel

Local Agencies Affected: School Corporations

Information Sources: Keith Beesley, State Personnel Department, 232-3062.
Nelson Miller, Indiana School Boards Association, 639-0330